



# **LecStar Telecom Inc. Presentation re: Unbundled Network Elements**

**Re: *CC Dockets Nos. 01-338, 96-98,  
and 98-147***

January 6, 2003





## Who is LecStar?

**LecStar provides local telephone services through Unbundled Network Elements (UNE) and Resale platforms to residential and small business customers in 9 Southeastern states**



A circular sunburst icon with multiple rays.

## Who is LecStar?

- Experienced Management and Staff
- Privately Held
- Reliable Service Provider
- Rapid Growth (10% a month)
- Focused on serving the Southeast
- Nearing EBITDA breakeven



A circular sunburst icon with multiple rays emanating from the center.

## Who is LecStar?

- Over 25,000 Customers
- Revenues: 80% Res / 20% Sm Business
- .0009% Market Share
- 75% of lines UNE
- 30% Gross Margins
- -15% Net Margin





## What is UNE-P?

- Combination of ILEC loop, switching and transport facilities that permits LecStar to differentiate in the form of service offerings not available for ILEC.
- **Features**
  - Product Bundle
  - Calling Plans
  - Service Options
  - Billing Options
  - Access to call details





## Why is UNE important?

- Provides access to competitive options for smaller customers (10 lines or less)
  - EELs cost approx. \$250 per month
  - Voice Margins of \$25 per line needed to justify use of EEL over 1FBs
  - Typical residential service does not qualify
- Provides potential for marginal profitability





## Why is UNE important?

- UNEs are required for the competition needed to grant BellSouth regionwide 271 Authorization
- Capital Markets are not attracted to investing in new Telecom facilities with companies losing money using Resale
  - Critical mass can never be reached





## Why is UNE important?

- Roughly 10 million access lines served by UNE at end of 2002.<sup>1</sup> Loss could mean a disruption of service
- Provides ability to differentiate services
  - Packages (Calling Plans/Features)
  - Billing Options
- Forces ILECs to respond and be more competitive in retail offerings

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PACE Coalition news release November 13, 2002 *UNE-P Growth Continues: Benefits of Local Competition Now Reach 8.78 Million Lines*







## Why is UNE not enough?

- Competition requires an open competitive market to provide services
- LecStar and other small competitive telephone service providers require the following
  - Access to low cost capital
  - Parity with ILEC
    - Ordering
    - Provisioning
    - Maintenance





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# Conclusions



- **Do not eliminate LecStar's primary means of competition**
- **LecStar needs access to Unbundled Network Elements to provide choice to consumers and businesses**
  - LecStar represents the kind of competition that the 1996 Telecom Act envisioned
  - LecStar is unlikely to be able to operate without access to UNEs access to cost options for capital
  - LecStar needs





# Conclusions



- Devastating impact on LecStar and other smaller providers.
- Wait until March 2002, to bill Market Based Rates and ODUF etc
- Transport 271 then eliminate the primary ? That allows ? To next 271 request
- Not realistic to expect monopolies to transition wholesale/network without pain/complaints
- *How do you see LecStar providing competitive choice to its residential and small business customers in an environment without access to UNEs?*





# Recommended Actions

- Provide an Order that permits LecStar and other similarly situated CLECs to provide choice for consumers and small businesses
  - Geographic density measures that permit entry into a new markets with UNE and that requires transition to facilities when Access Lines (AL) under contract reaches 5% of the AL in the serving wire center
  - Increase Market Based Rates cap from 4 DS0 equivalents to 10 DS0s where EELs become more cost effective
- Provide Access to low interest or no interest federal loan packages with Investment incentives to transition toward a blend of facilities, UNE switching and resale over a 5-10 year horizon
- Develop measurements with penalties on RBOCs that fail to meet the requirements for 271 Authorization.





# Recommended Actions

- Freeze RBOC actions after receiving 271 Authorization to prevent abuses such as those with market based rates, ODUF back billing.
- Conduct regional policy roundtables to seek out the needs perspectives of emerging competitors that do not regularly communicate with the FCC and the Legislative Branch





# Contact Information

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